



MUSKINGUM MINING INCORPORATED  
(A wholly-owned subsidiary of La Luz Mines Limited)

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1984 AND 1983

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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REPORT OF CERTIFIED PUBLIC ACCOUNTANTS



Capitol Square, 65 East State Street, Columbus, Ohio 43215, Telephone: 614/224-2276

The Shareholder and Board of Directors  
Muskingum Mining Incorporated  
(A wholly-owned subsidiary of La Luz Mines Limited)

We have examined the consolidated balance sheet of Muskingum Mining Incorporated (a wholly-owned subsidiary of La Luz Mines Limited) and subsidiaries as of December 31, 1984 and 1983, and the related consolidated statements of operations, deficit, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of Muskingum Mining Incorporated and subsidiaries at December 31, 1984 and 1983, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Main Hurdman*

February 22, 1985

MUSKINGUM MINING INCORPORATED

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1984 and 1983  
(Expressed in U.S. Dollars)

ASSETS	<u>1984</u>	<u>1983</u>
CURRENT ASSETS		
Cash and short term deposits	\$ 6,023,808	\$ 3,743,258
Accounts receivable	3,685,209	3,869,298
Inventories (note 3)	2,206,939	2,113,182
Prepaid expenses	293,542	274,828
	<u>12,209,498</u>	<u>10,000,566</u>
PROPERTY, PLANT AND EQUIPMENT (note 4)	<u>30,160,879</u>	<u>29,363,803</u>
OTHER ASSETS		
Preproduction expenditures, less accumulated amortization	1,518,907	1,680,888
Advance royalty payments	413,083	393,471
Deferred reclamation costs	1,322,038	973,627
Other	59,835	221,319
	<u>3,313,863</u>	<u>3,269,305</u>
	<u>\$45,684,240</u>	<u>\$42,633,674</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 5)	\$ 7,505,098	\$ 7,327,156
Current maturities of long term liabilities (note 6)	4,222,106	3,628,679
	<u>11,727,204</u>	<u>10,955,835</u>
LONG TERM LIABILITIES (note 6)	<u>22,656,050</u>	<u>22,715,608</u>
RECLAMATION LIABILITY, net of current portion	<u>1,985,398</u>	<u>1,656,531</u>
DEFERRED INCOME TAXES	<u>300,000</u>	
SHAREHOLDER'S EQUITY		
CAPITAL STOCK (note 6)		
Authorized		
1,000 shares, without par value		
Issued		
501 shares	1,300,001	1,300,001
CONTRIBUTED SURPLUS (note 6)	23,235,486	23,235,486
	<u>24,535,487</u>	<u>24,535,487</u>
DEFICIT	(15,519,899)	(17,229,787)
	<u>9,015,588</u>	<u>7,305,700</u>
	<u>\$45,684,240</u>	<u>\$42,633,674</u>
Contingent liabilities and commitments (note 7)		
Subsequent event (note 11)		
Reclassification (note 12)		

The accompanying notes are an integral part of these financial statements

MUSKINGUM MINING INCORPORATED

CONSOLIDATED STATEMENT OF OPERATIONS

YEARS ENDED DECEMBER 31, 1984 and 1983  
(Expressed in U.S. Dollars)

	<u>1984</u>	<u>1983</u>
Coal sales	\$42,628,112	\$ 40,438,877
Operating and administrative expenses	32,982,103	32,800,091
Depreciation, depletion and amortization	4,662,469	3,848,438
	<u>37,644,572</u>	<u>36,648,529</u>
Operating profit	4,983,540	3,790,348
Interest expense, including \$1,000,000 (1983, \$1,125,800) on notes payable to affiliated companies	<u>2,973,652</u>	<u>3,067,270</u>
Income before taxes, extraordinary items and cumulative effects of changes in accounting principles	2,009,888	723,078
Income taxes	<u>1,025,000</u>	<u>365,000</u>
Income before extraordinary items and cumulative effects of changes in accounting principles	984,888	358,078
Extraordinary items		
Accrued interest forgiven on notes payable to affiliated companies, net of \$5,395,000 income taxes (note 6)		5,206,728
Realization of income tax benefits not recorded in prior years (note 9)	<u>725,000</u>	<u>5,765,000</u>
Income before cumulative effects of changes in accounting principles	1,709,888	11,329,806
Cumulative effects of changes in accounting principles		
Machinery and equipment overhaul costs, net of \$585,000 income taxes recovered (note 2(c))		(565,625)
Advance stripping costs, net of \$590,000 income taxes (note 2(a))		<u>575,266</u>
NET INCOME	<u>\$ 1,709,888</u>	<u>\$ 11,339,447</u>

The accompanying notes are an integral part of these financial statements.

MUSKINGUM MINING INCORPORATED  
CONSOLIDATED STATEMENT OF DEFICIT  
YEARS ENDED DECEMBER 31, 1984 and 1983  
(Expressed in U.S. Dollars)

	<u>1984</u>	<u>1983</u>
DEFICIT AT BEGINNING OF YEAR	\$(17,229,787)	\$(28,569,234)
Net income	<u>1,709,888</u>	<u>11,339,447</u>
DEFICIT AT END OF YEAR	<u>\$(15,519,899)</u>	<u>\$(17,229,787)</u>

The accompanying notes are an integral part of these financial statements.

MUSKINGUM MINING INCORPORATED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 1984 and 1983  
(Expressed in U.S. Dollars)

	<u>1984</u>	<u>1983</u>
WORKING CAPITAL DERIVED FROM		
Operations (note 10)	\$10,251,398	\$18,756,220
Increase in long term liabilities	3,965,314	975,000
Other assets	139,806	1,016
Proceeds on disposal of equipment	321,670	
Increase in reclamation liability	328,867	1,656,531
Increase in deferred income taxes	300,000	
Cumulative effect of change in accounting principle for machinery and equipment overhaul costs (note 2(c))		1,150,625
Contributed surplus		23,235,486
	<u>15,307,055</u>	<u>45,774,878</u>
WORKING CAPITAL APPLIED TO		
Retirement of long term liabilities	5,024,872	35,402,800
Additions to property, plant and equipment	5,336,376	1,764,105
Deferred reclamation costs	3,508,244	2,933,272
	<u>13,869,492</u>	<u>40,100,177</u>
INCREASE IN WORKING CAPITAL POSITION	1,437,563	5,674,701
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF YEAR	<u>(955,269)</u>	<u>(6,629,970)</u>
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR	<u>\$ 482,294</u>	<u>\$ (955,269)</u>

The accompanying notes are an integral part of these financial statements.

MUSKINGUM MINING INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1984 and 1983  
(Expressed in U.S. Dollars)

The company is a wholly-owned subsidiary of La Luz Mines Limited, which is a Canadian public company listed on the Toronto Stock Exchange.

The principal activities of the company consist of coal mining operations in the State of Ohio, U.S.A. operating the Muskingum and the Crown City mines. All of the company's coal revenues are derived from sales to an electric power utility located in the State of Ohio.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

These consolidated financial statements include the accounts of the company and its wholly owned U.S. subsidiaries, Crown City Mining Incorporated, Core Trucking Co. and Panaminas, Inc. All material intercompany transactions have been eliminated.

(b) Inventories

Stockpiled coal, which represents coal mined and stockpiled awaiting shipment, is valued at the lower of cost and net realizable value. Bench and pit coal is recorded at the lower of the costs associated with uncovering this unmined coal and net realizable value.

Mine operating supplies are recorded at cost.

(c) Depreciation, depletion and amortization

The company uses the unit of production method to compute depletion and amortization on coal lands and preproduction expenditures and the straight line method of depreciation on the major portion of the property, plant and equipment.

(d) Reclamation

Management estimates the cost of restoring land disturbed by the mining process based on engineering surveys and aerial photography. The reclamation liability and offsetting deferred costs are recorded at the time the lands are affected. The deferred costs are charged to operations as coal is extracted at a rate based on the total cost of restoring lands to be affected and the total number of tons of recoverable coal, by mining permit area.



# MUSKINGUM MINING INCORPORATED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 1984 and 1983  
(Expressed in U.S. Dollars)

### 2. ACCOUNTING CHANGES

#### (a) Advance stripping costs

Effective January 1, 1983, in order to achieve a better matching of revenue and expense, the company changed its method of charging stripping costs to operations as described in note 1(b). Prior to 1983, the company expensed to current operations all costs associated with uncovering coal to be removed in a subsequent period. The effect of this change in accounting principle decreased the income before taxes, extraordinary items and cumulative effects of changes in accounting principles for the year ended December 31, 1983 by \$748,824.

#### (b) Coal reserves

Effective January 1, 1983, the company recognized an increase in the estimated coal reserves at its Crown City mine. This decreased the annual cost of those expenses recognized on the unit of production method as detailed in note 1(c). This change in accounting estimate increased income before taxes, extraordinary items and cumulative effects of changes in accounting principles for the year ended December 31, 1983 by \$571,776.

#### (c) Machinery and equipment overhaul costs

Effective January 1, 1983, in order to achieve a better matching of revenue and expense, the company changed its method of recognizing the cost of machinery and equipment overhauls to that of immediate recognition. Prior to 1983, such costs were capitalized and amortized over three years. The effect of this change in accounting principle increased the income before taxes, extraordinary items and cumulative effects of changes in accounting principles for the year ended December 31, 1983 by \$63,430.

### 3. INVENTORIES

	<u>1984</u>	<u>1983</u>
Mine operating supplies	\$ 1,304,958	\$ 1,412,345
Coal		
Stockpiled	270,395	284,395
Bench and pit (note 2(a))	<u>631,586</u>	<u>416,442</u>
	<u>\$ 2,206,939</u>	<u>\$ 2,113,182</u>

MUSKINGUM MINING INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 1984 and 1983  
(Expressed in U.S. Dollars)

4. PROPERTY, PLANT AND EQUIPMENT, at cost

	<u>1984</u>	<u>1983</u>
Land and improvements	\$ 9,288,784	\$ 9,233,823
Buildings	1,644,325	1,638,732
Washing and preparation plant	2,820,026	2,400,026
Machinery and equipment	26,527,692	27,783,955
Equipment under capital leases	9,092,152	5,037,789
Vehicles	1,887,370	1,713,938
Furniture and fixtures	153,205	126,725
	<u>51,413,554</u>	<u>47,934,988</u>
Less accumulated depreciation, depletion and amortization	<u>21,252,675</u>	<u>18,571,185</u>
	<u>\$30,160,879</u>	<u>\$29,363,803</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>1984</u>	<u>1983</u>
Trade and other	\$ 5,310,273	\$ 5,661,935
Current portion of reclamation liability	<u>2,194,825</u>	<u>1,665,221</u>
	<u>\$ 7,505,098</u>	<u>\$ 7,327,156</u>

6. LONG TERM LIABILITIES

	<u>1984</u>	<u>1983</u>
Notes payable	\$ 4,039,344	\$ 5,750,358
Mortgage payable	4,564,010	5,787,640
Capital leases	6,149,002	3,680,489
Notes payable, affiliated companies	<u>12,125,800</u>	<u>11,125,800</u>
	<u>26,878,156</u>	<u>26,344,287</u>
Less current maturities	<u>4,222,106</u>	<u>3,628,679</u>
	<u>\$22,656,050</u>	<u>\$22,715,608</u>

	<u>1984</u>	<u>1983</u>
Notes payable		
Notes payable secured by certain equipment bearing interest at rates varying from 1 1/2% to 2 1/2% above U.S. prime rates maturing approximately as follows: 1985, \$1,176,000; 1986, \$1,057,000; 1987, \$867,000; 1988, \$263,000	\$ 3,362,439	\$ 4,950,358

MUSKINGUM MINING INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 1984 and 1983  
(Expressed in U.S. Dollars)

6. LONG TERM LIABILITIES, Continued

Notes payable (Cont'd)	<u>1984</u>	<u>1983</u>
Notes payable, unsecured, bearing interest at 10%, payable principal plus interest at the greater of \$.20 per ton on coal mined and sold or \$200,000 per annum, maturing approximately as follows:		
1985, \$176,000; 1986, \$194,000;		
1987, \$214,000; 1988, \$93,000	<u>676,905</u>	<u>800,000</u>
	<u>\$ 4,039,344</u>	<u>\$ 5,750,358</u>

Mortgage Payable

The mortgage payable bears interest at 2% above the lender's New York prime commercial rate payable monthly. Pursuant to an agreement dated March 31, 1983 principal payments are \$95,920 per month commencing May 1, 1983 and ending on December 1, 1988. The mortgage is secured by a lien upon substantially all of the assets of the company. The parent company has pledged its shares in the company as well as certain marketable securities.

Capital leases

Capital leases represent the present value of the net minimum lease payments, as at December 31, 1984, calculated at the lessor's implicit interest rates, which vary from 4.74% to 17.5%. The leases are secured by the equipment under capital leases.

Payments due under capital leases are as follows:

	<u>Payments</u>	<u>Deferred Interest</u>	<u>Principal</u>
1985	\$2,236,695	\$ 522,105	\$1,714,590
1986	2,095,603	355,004	1,740,599
1987	1,917,133	187,500	1,729,633
1988	933,646	62,823	870,823
1989	96,511	3,154	93,357
	<u>\$7,279,588</u>	<u>\$1,130,586</u>	<u>\$6,149,002</u>

# MUSKINGUM MINING INCORPORATED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 1984 and 1983  
(Expressed in U.S. Dollars)

### 6. LONG TERM LIABILITIES, Continued

#### Notes payable, affiliated companies

	<u>1984</u>	<u>1983</u>
Term notes payable, including accrued interest of \$2,000,000 (1983, \$1,000,000) secured by mortgages on certain coal lands and security interests in the company's assets, subordinated to the mortgage payable, certain reclamation bonds and the Muskingum lease, bearing interest at 10% per annum	\$12,000,000	\$11,000,000
Notes payable, secured by certain of the company's assets, non interest bearing	<u>125,800</u>	<u>125,800</u>
	<u>\$12,125,800</u>	<u>\$11,125,800</u>

Pursuant to a reorganization and refinancing agreement dated March 31, 1983, the affiliated companies contributed, by way of forgiveness, interest accrued and unpaid to December 31, 1982 of \$10,601,728 on the notes payable. The parent contributed \$22,874,100 to the company as contributed surplus, the funds from which were used to retire loans and notes payable. The remaining \$10,000,000 of notes payable were converted to the term notes as described above effective as at January 1, 1983.

Effective December 31, 1983 the company acquired 100% of the issued shares of Panaminas Incorporated from the parent company and as consideration therefore issued 1 share with a stated capital of \$1. Panaminas' assets included a tungsten property in the State of California and a loan receivable from the company which were carried in its accounts at nominal value. The property is leased to October, 1986 and provides for a minimum annual royalty of \$5,000, plus additional royalties based on the quantity of ore mined. Immediately following the acquisition, Panaminas was wound up and its assets and liabilities were distributed to the company. As a result, loans payable by the company to Panaminas of \$361,386 have been transferred to contributed surplus.

MUSKINGUM MINING INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 1984 and 1983  
(Expressed in U.S. Dollars)

7. CONTINGENT LIABILITIES AND COMMITMENTS

- (a) Under an agreement, as amended and restated March 31, 1983 the Muskingum mine coal mining rights have been leased to the company in consideration for a royalty payment of \$4.08 per ton in 1983 and \$3.81 per ton thereafter on the greater of 700,000 tons per year or the coal produced and shipped in the year. Royalties paid in excess of coal produced and shipped in the year can be applied against royalties due in subsequent lease years on production in excess of the annual minimum tonnage requirements. The lease is for a term of twenty years ending October 31, 1998, subject to the lessee's right to surrender the lease at any earlier time when all economically mineable coal has been mined or minimum royalties on 14,000,000 tons have been paid. The lease may be renewed for successive three year periods.

Under the terms of the lease, the company is required to maintain a minimum of \$2,000,000 working capital (as defined) to December 31, 1983. As at December 31, 1983 the company was not in compliance with this covenant. The lessor has waived this default to December 31, 1983. Further, the lease agreement has been amended effective January 1, 1984 to reduce the required level of working capital to a minimum of \$1 except that distributions to affiliates cannot reduce the level of working capital to below \$2,000,000.

- (b) In consideration for the guarantee of the mortgage payable (note 6) and certain reclamation bonds (note 5), the company has agreed to pay a commitment fee to an affiliated company of \$.10 per ton on all coal mined and sold.
- (c) The company has provides as security to the State of Ohio surety bonds in the approximate amount of \$11,651,000 (1983, \$11,973,000) to ensure the performance of the reclamation work.

8. OTHER RELATED PARTY TRANSACTIONS

Operating costs include \$539,331 (1983, \$464,791) as commitment fees and certain administrative overheads charged by affiliated companies.

# MUSKINGUM MINING INCORPORATED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 1984 and 1983  
(Expressed in U.S. Dollars)

### 9. INCOME TAXES

The Company files its income tax returns on a basis different from the method used for financial reporting purposes. The permanent differences that arise relate primarily to the use of statutory percentage depletion for tax purposes and the amortization of certain intangible assets which due to their nature are not deductible for tax purposes. The timing differences arise primarily from the use of predominantly straight-line methods of depreciation for book purposes and the use of the Accelerated Cost Recovery System for tax purposes. The Company uses the flow-through method for reporting investment tax credits.

The Company utilized a portion of its net operating loss carryforward in 1984 and 1983 to eliminate a portion of its Federal income tax liability. The tax effect of this utilization has been included in income taxes, with the tax benefit accounted for as an extraordinary item. The remaining liability after use of net operating loss carryforward relates to minimum tax.

The company and its subsidiary have non-capital losses and tax credits which are available for carryforward to future years and are restricted to fiscal years ending not later than:

	Muskingum Mining Incorporated		Crown City Mining Incorporated	
	Loss carry forwards	Investment and new jobs tax credit	Loss carry forwards	Investment and new jobs tax credit
1989		\$ 99,327		\$ 128,357
1990		20,676		33,487
1991		10,652		3,520
1992		42,359		42,625
1993		202,123		227,774
1994	\$ 3,655,078	400,707	\$2,137,386	385,819
1995	6,103,705	116,029	4,591,254	98,491
1996	3,592,704	49,524	1,934,323	57,563
1997	4,123,526	98,650	1,102,107	97,120
1998		86,129		30,416
1999		357,934		
	<u>\$17,475,013</u>	<u>\$1,484,110</u>	<u>\$9,765,070</u>	<u>\$1,105,172</u>

The benefit relating to these tax carryforwards have not been recorded in the accounts.

MUSKINGUM MINING INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 1984 and 1983  
(Expressed in U.S. Dollars)

10. CHANGES IN FINANCIAL POSITION

Working capital derived from operations consists of the following:

	<u>1984</u>	<u>1983</u>
Income before extraordinary items and cumulative effects of changes in accounting principles	\$ 984,888	\$ 358,078
Add (deduct) charges not affecting working capital		
Depreciation, depletion and amortization	4,662,469	3,848,438
Reclamation expense	3,159,833	2,442,535
Interest on notes payable to affiliated companies	1,000,000	1,125,800
Gain on disposal of equipment	<u>(280,792)</u>	<u></u>
Working capital derived from operations before extraordinary items and cumulative effects of changes in accounting principle	9,526,398	7,774,851
Extraordinary items		
Accrued interest forgiven on loans and notes payable to affiliated companies		5,206,728
Realization of income tax benefits not recorded in prior years	<u>725,000</u>	<u>5,765,000</u>
Working capital derived from operations before cumulative effects of changes in accounting principles	10,251,398	18,746,579
Cumulative effects of changes in accounting principles		(565,625)
Machinery and equipment overhaul costs		575,266
Advance stripping costs (note 2(a))	<u></u>	<u></u>
Working capital derived from operations	<u>\$10,251,398</u>	<u>\$18,756,220</u>

MUSKINGUM MINING INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

YEARS ENDED DECEMBER 31, 1984 and 1983  
(Expressed in U.S. Dollars)

10. CHANGES IN FINANCIAL POSITION, Continued

Changes in individual components of working capital are as follows:

	<u>1984</u>	<u>1983</u>
Increase (decrease) in current assets		
Cash and short term deposits	\$ 2,280,550	\$ 2,154,069
Accounts receivable	(184,089)	719,887
Inventories	93,757	215,047
Prepaid expenses	18,714	10,306
	<u>2,208,932</u>	<u>3,099,309</u>
Decrease (increase) in current liabilities		
Accounts payable and accrued liabilities	(177,942)	493,664
Current maturities of long term liabilities	(593,427)	2,081,728
	<u>(771,369)</u>	<u>2,575,392</u>
Increase in working capital position	<u>\$1,437,563</u>	<u>\$ 5,674,701</u>

11. SUBSEQUENT EVENT

Effective January 1985 the company acquired all of the issued and outstanding shares of Minerals Management, Inc. for \$190,000. The sole asset of Minerals is \$190,000 cash and it has no liabilities. Further to this, Minerals is a party to the Crown City mine coal sales contract and acted as agent to Crown City Mining Incorporated in the administration of the sales contract.

12. RECLASSIFICATION

Effective January 1, 1984 the company classified as long-term the portion of the accrued reclamation liability associated with lands which are not expected to be reclaimed during the next fiscal year. Accordingly, a portion of the accrued reclamation liability as at December 31, 1983, representing that portion of the liability outstanding at December 31, 1984, has been reclassified as long-term.



m/045/017

BRG RESOURCES INC.

CONSOLIDATED FINANCIAL  
STATEMENTS

FOR THE PERIOD FROM  
OCTOBER 10, 1980, DATE  
OF INCORPORATION, TO  
DECEMBER 31, 1980

Coopers  
& Lybrand

BRG RESOURCES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM OCTOBER 10, 1980 TO DECEMBER 31, 1980

1. ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the accounts of the company and all its subsidiary companies.

Foreign exchange

Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the year-end exchange rates.

2. INVESTMENT

A subsidiary of the company has entered into a joint venture agreement to acquire, explore and develop petroleum and natural gas interests in certain properties situated in the state of Texas in the United States of America. Under the terms of the agreement, the company is committed to invest a further U.S. \$2.5 million in 1981.

3. CAPITAL STOCK

Authorized -

Class A - unlimited number of non-voting common shares without par value.

Class B - unlimited number of voting common shares without par value.

Issued -

	\$
Class A - 6,000,000 shares	6,000,000
Class B - 1,000 shares	<u>1,000</u>
	<u>6,001,000</u>

On November 17, 1980 the company entered into an agreement with its shareholders at that date to issue an additional 5,000,000 Class A shares at a subscription price of \$1 per share, within six months from the date of the agreement.

The amount of \$500,000 outstanding at December 31, 1980, in respect of Class A shares issued to a shareholder during the period, was paid in January 1981.

MERCUR MINE  
CAPITAL ASSET SUMMARY  
DECEMBER 31, 1984

<u>Description</u>	<u>Amount</u>
Tailings Dam	\$11,233,984.23
Land Improvements	5,641,920.63
Mine Equipment	10,259,581.08
Maintenance Tools & Equipment	1,568,456.81
Buildings	3,253,263.94
Mill Equipment	34,227,809.50
Data Processing Equipment	646,215.59
Lab Equipment	183,264.39
Environmental Equipment	70,179.89
Communications Equipment	365,437.91
Furniture & Fixtures	247,929.33
Transportation Equipment	746,174.07
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TOTAL	<u>\$68,444,217.37</u>